

Memo

To: Interested Parties

From: Andrew Sharp, Chief Public Information Officer, San Diego Unified School District

Re: California State Auditor report on K-12 Local Control Funding (Report 2019-101)

November 6, 2019

Summary

The San Diego Unified School District remains a strong supporter of the equity-based funding model for California schools. Our support is evidence-based. Only last month, UCLA released a study showing San Diego Unified has used its LCFF funding to improve student outcomes for historically disadvantaged students. Because we believe the continuity of equity-based funding is essential to continuing this progress for our students, we are issuing this memo in response to the report released by State Auditor Howle. Specifically, we would like to highlight:

- There were no findings of non-compliance against the San Diego Unified School District
- There is strong supporting evidence when evaluating student outcomes that LCFF S&C funding has benefitted precisely those populations it was designed to help in San Diego Unified
- The principal finding by the auditors related to state funding is already moot, as it relates to the LCFF implementation period that has since ended
- Existing state regulations already require districts to spend LCFF S&C funds principally to improve services to the intended populations, despite the report's conclusion no such requirement exists
- San Diego Unified is in agreement with the State Board of Education's response related to a shift in focus on accountability in improving intended student outcomes
- San Diego Unified takes the spirit of the LCAP seriously and without any requirement to do so, already follows the auditor's recommendation to spend any carryover LCFF S&C funds from one year on LCFF S&C activities the following year

Details

Equity funding supports San Diego student achievement

Since implementation of the Local Control Funding Formula (LCFF) in 2013, students in San Diego Unified have benefited greatly from the equity-based funding model. As the authors of the law intended, these gains have occurred both for historically disadvantaged populations and for the overall student population.

The most recent evidence of district-wide progress under the new funding formula came last week when the NAEP results, commonly known as the nation's report card, were released. Those results found San Diego Unified outperformed other large urban districts across the nation when looking at improvements in math and reading scores at the 4th and 8th grade

levels. (See “San Diego Unified outperforms large school districts in national test scores,” by Kristen Taketa, Union Tribune, Oct. 29, 2019)

San Diego Unified Superintendent Cindy Marten, who took office the day LCFF went into effect, credited the district’s focus on early literacy for the testing gains, a focus that was enabled by the state’s equity-based funding model. (See “San Diego Unified Surpasses State, Nation On Test Scores,” by Joe Hong, KPBS, Nov. 1, 2019)

The supplemental funding San Diego Unified receives under LCFF due to its concentration of high needs students (commonly referred to as supplemental and concentration, or S & C, funding) have proven equally impactful. Those funds are designed to principally improve services for English-learner, foster, and low-income students, who together comprise about 63 percent of the district’s student population. Since the implementation of LCFF, these target populations have improved academically in terms of college readiness and concretely in terms of their college preparation and high school graduation rates. For example, English learner graduates have improved their college readiness (UC a-g with a C) rate from 17.7 percent in 2003 to 48.7 percent in 2019 (preliminary result) and graduation rates for ELs, foster and low-income appear below.

English-language learners in particular have benefited from an improved reclassification rate, meaning they are becoming proficient in English at ever-increasing rates. Taken together, these gains are exactly the types of data the designers of the LCFF system hoped to achieve.

There were no findings of non-compliance against San Diego Unified

Taxpayers and legislators should carefully review the state audit for evidence of non-compliance by any of the three districts examined. There is none. This is a critical point to consider when reviewing any audit. In this case, the auditors were clear. They found no evidence of non-compliance of LCFF funds by any of the three districts they examined. Instead, the auditors highlighted what they said were concerns about a lack of state oversight creating the possibility for potential misspending. They found no evidence of actual misspending.

The report is outdated

The major finding by the auditors — that \$320.6 million which could have gone to support intended student populations, but did not — is offered without evidence. Instead, they suggest the funding could have gone elsewhere, because the state did not require it to be reported exclusively S&C funding at that time. As they later note, “Since fiscal year 2013-14, this deferral of full formula implementation has caused the three districts we reviewed to identify approximately \$320.6 million as being part of its base funds rather than supplemental and concentration funds.”

The auditors failed to include the fact that the state has now reached full implementation of LCFF and S&C funding. We are in agreement with the State Board of Education’s response to why a different approach during the phase-in period was necessary. The program has been fully funded since last year, and so the situation highlighted by auditors no longer exists. The report is already two years out of date at the time of its release.

Existing state regulations already require districts to spend LCFF S&C funds principally to improve services to the intended populations

The auditors wrote, “We are particularly concerned that the state does not explicitly require districts to spend their supplemental and concentration funds on the intended student groups or to track the spending of those funds.” In fact, such a requirement does exist in state education code. Ed Code requires districts use their supplemental and concentration funds to increase or improve services for intended populations “in proportion to the increase in funds apportioned on the basis of the number and concentration of unduplicated pupils in the school district” CCR Section 15496 addresses the requirement that school districts “increase or improve” services for intended pupils in proportion to the increase in supplemental and concentration funds (EC Section 42238.07(a).) The Local Control Funding Formula (LCFF) calculation determines the minimal proportionality percentage (MPP) by which a local educational agency (LEA) must increase or improve services for unduplicated pupils above services provided to all pupils in the fiscal year. For clarity, these above cited regulations are at 5 CCR sections 15495 through 15497.5.

State Board Response

We appreciate the State Board of Education’s response to the audit. The State Board has expertise in education policy, finance and student achievement, and their response addresses the key points in why LCFF and the LCAP were implemented. Their perspective on this groundbreaking change to education in California effectively addresses the auditor’s report and we encourage taxpayers and legislators to review the State Board’s response.